SPRINGVALE-BEAR CREEK SEWAGE DISPOSAL AUTHORITY

FINANCIAL STATEMENTS for the year ended December 31, 2004

Michigan Deptartment of Treasury 496 (2-04) Auditing Procedures Report Issued under P.A. 2 of 1968, as amended

issued under			as amended.						
Local Govern		oe wnsh	ip	Local Governmen	nt Name SPRINGVA		CREEK	1	_
Audit Date 12/31/04			Opinion Date		Date Accountant Report Sul	omitted to State:		EMME	<u> </u>
		the f	6/7/05	İ	6/29/05				
Financial S	itateme		financial statements of this Statements of the Governr or Counties and Local Units						
We affirm t									
1. We have	ve com	plied	with the Bulletin for the Auc	lits of Local Un	its of Government in N	<i>dichigan</i> as re	vised.		
2. We are	ecertifie	ed pu	ıblic accountants registered	to practice in N	⁄lichigan.				
We further comments	affirm th and rec	ne fo omm	llowing. "Yes" responses ha nendations	ve been disclo	sed in the financial sta	atements, inclu	iding the	notes, or	in the report of
You must ch	neck the	app	olicable box for each item be	low.					
Yes [√ No	1.	Certain component units/fu	ınds/agencies	of the local unit are ex	cluded from th	ne financi	al statem	nents.
Yes [√ No		There are accumulated de 275 of 1980).						
Yes	∑ No	3.	There are instances of no amended).	n-compliance	with the Uniform Acc	counting and	Budgeting	g Act (P.	A. 2 of 1968, a
Yes	Yes ✔ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.								
Yes v	∕ No	5.	The local unit holds depos as amended [MCL 129.91],	its/investments or P.A. 55 of 1	s which do not compl 1982, as amended [M0	y with statuto CL 38.1132]).	ry require	ements. (P.A. 20 of 1943
Yes 🗸	√ No	6.	The local unit has been deli	nquent in distri	ibuting tax revenues th	nat were collec	ted for a	nother ta	xing unit.
☐ Yes 🗸] No	7.	The local unit has violated pension benefits (normal concredits are more than the normal content of the properties of th	the Constituti	ional requirement (Art	icle 9, Section	n 24) to	fund curr	rent year earned
☐ Yes 🗸	No	8.	The local unit uses credit (MCL 129.241).						
☐ Yes 🗸] No	9.	The local unit has not adopt	ed an investme	ent policy as required l	oy P.A. 196 of	1997 (M	CL 129.9	5).
We have end	closed	the 1	following:			Enclosed		Ве	_ Not
The letter of	comme	nts a	and recommendations.			∠ Liciosed	Forv	varded	Required
Reports on ir	ndividua	l fed	leral financial assistance pro	grams (progra	m audits).				
Single Audit I	Reports	(AS	SLGU).						✓
Certified Public A					1				V
Street Address			STMAN, P.C.		City		State	— _Т -	
555 MICHIO		Τ.	1 1		PETOSKEY		State MI	ZIP 497	70
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Smolinski & Christman, P.C. J Certified Public Accountants

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June 7, 2005

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of the

Springvale-Bear Creek Sewage Disposal Authority:

We have audited the financial statements of the Springvale-Bear Creek Sewage Disposal Authority as of and for the year ended December 31, 2004, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform an audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Springvale-Bear Creek Sewage Disposal Authority as of December 31, 2004, and the results of its operations and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As described in Note J the Authority has implemented a new financial reporting model as required by the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, as of December 31, 2004.

The management's discussion and analysis on pages 3 through 5 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Board of Trustees June 7, 2005

Our audit was conducted for the purpose of forming an opinion on the financial statements. The additional information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Smolinski & Christman, P.C.



SPRINGVALE-BEAR CREEK SEWAGE DISPOSAL AUTHORITY MANAGEMENT'S DISCUSSION AND ANALYSIS for the year ended December 31, 2004

This section of the Springvale-Bear Creek Sewage Disposal Authority's annual financial report presents management's discussion and analysis of the Authority's financial performance during the year ending December 31, 2004. It should be read in conjunction with the Authority's financial statements which immediately follow. As this is the first year of the implementation of GASB Statement No. 34, data from prior years is not available but will be provided in subsequent years for comparative purposes.

FACILITY AND OPERATIONS

The Springvale-Bear Creek Sewage Disposal Authority was created for the purpose, of acquiring, constructing, financing and operating a sewage collection system for Springvale and Bear Creek townships. The Authority is an incorporated intramunicipality founded in 1973 under the provisions of Act 233, Michigan Public Acts of 1955, as amended. Control of the various operations of the Authority is vested in the Board of Trustees. The board consists of five members, three from Bear Creek Township and two from Springvale Township.

The Authority has entered into agreements with the City of Petoskey and the Harbor Springs Area Sewage Disposal Authority to receive, transport, treat and dispose of the sewage from the Authority collection system.

SOURCES OF REVENUE

The Authority derives its revenue from charges to each Township for operation of the sewage collection system. Sewerage rates are set at a level to provide for all operating costs, including billings from the City of Petoskey and Harbor Springs Area Sewage Disposal Authority for transportation, treatment and disposal services. The Authority also derives revenue to provide for an accumulation of funds for system and equipment repair and replacement.

FINANCIAL STATEMENT OVERVIEW

The Authority's annual report includes three financial statements that provide both long-term and short-term information about the Authority's financial status. These statements are presented using the accrual basis of accounting.

The Statement of Net Assets includes all of the Authority's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to creditors (liabilities). It also provides the basis for evaluating the Authority's capital structure and assessing its liquidity and financial flexibility.

The Statement of Revenues, Expenses, and Changes in Net Assets includes all of the current year's revenues and expenses. This statement measures the success of the Authority's operations over the past year and can be used to determine whether the Authority has successfully recovered all of its costs through its user fees and other charges, profitability and credit worthiness.

The final financial statement is the Statement of Cash Flows. This statement reports cash receipts, cash payments and net changes in cash resulting from operations, investing, and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

SPRINGVALE-BEAR CREEK SEWAGE DISPOSAL AUTHORITY MANAGEMENT'S DISCUSSION AND ANALYSIS for the year ended December 31, 2004

CONDENSED FINANCIAL INFORMATION

The following table represents condensed information regarding the Authority's financial position at December 31, 2004:

Current assets Restricted and designated assets Capital assets Other assets	\$ 162,215 1,719,479 4,566,915 19,796
Total assets	<u>\$6,468,405</u>
Current liabilities Current liabilities payable	\$ 143,986
from restricted assets Long-term liabilities payable	90,216
from restricted assets	_1,521,300
Total liabilities	\$1,755,502
Investment in capital assets Unreserved	\$4,566,915 145,988
Total net assets	<u>\$4,712,903</u>

The following table indicates that operating expenses exceeded operating revenues by \$230, excluding depreciation and amortization for the year. A portion of depreciation expense is funded annually by separate repair and replacement billings. However, it is anticipated that the Authority will continue to show operating losses in future years because a majority of the depreciation and amortization expense relates to the sewer collection system and the investment in sewage treatment plant capacity.

Operating revenues	\$622,642
Operating expenses:	
Pumping	534,718
General and administrative	<u>88,154</u>
Total operating expenses	622,872
Operating loss before	
depreciation and amortization	(230)
Depreciation and amortization expense	237,951
Operating loss	(238,181)
Non-operating revenues	
and expenses (net)	14,160
Net loss	\$224.021
	<u> </u>



SPRINGVALE-BEAR CREEK SEWAGE DISPOSAL AUTHORITY MANAGEMENT'S DISCUSSION AND ANALYSIS for the year ended December 31, 2004

CAPITAL IMPROVEMENTS AND FUNDING REQUIREMENTS

The Authority began setting aside funds for repair and replacement purposes several years ago. In 2004, the Authority used approximately \$84,600 of these funds for system upgrades, equipment and repairs. Revenues for this purpose are billed annually and totaled \$32,400 in 2004. The total amount available for repair and replacement at December 31, 2004 was \$72,264.

DEBT STRUCTURE

The Authority has one outstanding bond issue at December 31,2004 totaling \$360,000. Also, the Authority has an outstanding liability for 16.8 percent of the \$7,500,000 City of Petoskey bond issue in 2001 for expansion of the City's facilities. The total liability amount at December 31, 2004 is \$1,239,700.

The Authority's contractual agreements with the townships require them to reimburse the Authority for all principal and interest costs associated with the bond issue and the liability due to the City of Petoskey.

CONTACTING THE AUTHORITY'S MANAGEMENT

The purpose of this management discussion is to provide an overview of the current and prospective financial condition of the Authority's operations and physical assets. Questions concerning this report may be directed to the Authority's Board Chairman, William Maile.



SPRINGVALE-BEAR CREEK SEWAGE DISPOSAL AUTHORITY STATEMENT OF NET ASSETS

December 31, 2004

ASSETS

CURRENT ASSETS: Cash and cash equivalents Accounts receivable Due from the City of Petoskey Due from Harbor Springs Area Sewage Disposal Authority	\$	26,900 59,939 45,182 30,194
Total current assets	_	162,215
RESTRICTED AND DESIGNATED ASSETS: Restricted assets, debt retirement Designated assets, repair and replacement		1,647,215 72,264
Total restricted and designated assets		1,719,479
CAPITAL ASSETS, net of accumulated depreciation		4,566,915
OTHER ASSETS, unamortized bond expenses		19,796
Total assets	\$	6,468,405
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable Due to Bear Creek Township	\$	68,610 75,376
Total current liabilities		143,986
CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS: Accounts payable Accrued interest payable Long-term debt due within one year Due to City of Petoskey within one year		2,749 9,067 70,000 8,400
Total current liabilities payable from restricted assets		
LONG-TERM LIABILITIES PAYABLE FROM RESTRICTED ASSETS:		90,216
Long-term debt, net of current portion Due to City of Petoskey, net of current portion		290,000 1,231,300
Total long-term liabilities		1,521,300
Total liabilities		1,755,502
NET ASSETS: Investment in capital assets Unreserved		4,566,915 145,988
Total net assets		4,712,903
Total liabilities and net assets	\$	6,468,405

The accompanying notes are a part of the financial statements.



SPRINGVALE-BEAR CREEK SEWAGE DISPOSAL AUTHORITY STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS for the year ended December 31, 2004

OPERATING REVENUES	\$	622,642
OPERATING EXPENSES: Pumping		
General and administrative:		534,718
Legal and accounting Insurance		79,613
Miscellaneous		8,311 230
Total operating expenses		622,872
Operating loss before depreciation and amortization		(230)
Depreciation and amortization expense		237,951
Operating loss		(238,181)
NON-OPERATING REVENUE (EXPENSES): Contribution by local units to defray		
interest expense and bond fee		28,875
Repair and replacement income Interest income		32,400
morest meeting		2,344
Interest expense and bond fee		(28,875)
Repair and replacement expense		(15,635)
Amortization, bond expenses		(4,949)
Total non-operating revenues (expenses)	-	14,160
Net loss	((224,021)
NET ASSETS, Beginning of year		370,009
NET ASSETS, End of year	\$	145,988



SPRINGVALE-BEAR CREEK SEWAGE DISPOSAL AUTHORITY STATEMENT OF CASH FLOWS

for the year ended December 31, 2004

CASH FLOWS FROM OPERATING ACTIVITIES: Fees and services		
Payments for goods and services	\$	521,137 (516,412)
Net cash provided by operating activities		4,725
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITY: Repair and replacement income		00.400
Repair and replacement expense		32,400 (15,635)
Net cash provided by noncapital financing activities		16,765
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: Received from townships for bond retirement and liability payments Contribution by townships to defray interest and bond fee expenses Retirement of long-term debt		78,400 30,625
Payments on long-term liability Interest and bond fee expense		(70,000) (8,400)
Net cash used in capital and related financing activities		(30,625)
INVESTING ACTIVITIES:		-
Acquisition of fixed assets Purchase of certificates of deposit		(82,299)
Redemption of certificates of deposit Interest earned		(58,261) 56,835 2,344
Net cash used in investing activities		(81,381)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(59,891)
CASH AND CASH EQUIVALENTS, Beginning of year		138,916
CASH AND CASH EQUIVALENTS, End of year	\$	79,025
COMPONENTS OF CASH AND CASH EQUIVALENTS:	==	
Unrestricted	\$	26,900
Restricted for debt retirement Designated for repair and replacement	ψ	26,900 77 52,048
Total cash and cash equivalents	\$	79,025
DECONCIL LATION OF NITE OPEN ATTACK		
RECONCILIATION OF NET OPERATING EXPENSES TO NET CASH PROVIDED BY OPERATING ACTIVITIES: Operating loss		
Adjustments to reconcile operating loss to net cash provided by operating activities:	\$	(238, 181)
Depreciation and amortization Increase in accounts receivable, due from the City of Petoskey and		237,951
due from Harbor Springs Area Sewage Authority Increase in accounts payable and due to Bear Creek Township		(101,505)
Net cash provided by operating activities		106,460
r	\$ 	4,725
NON-CASH INVESTING ACTIVITIES:		
Fixed asset purchase in accounts payable	\$	1,489

The accompanying notes are a part of the financial statements.



NOTE A - NATURE OF ENTITY:

The Springvale-Bear Creek Sewage Disposal Authority (the Authority) was created as a corporate instrumentality in 1973 by agreement between the Townships of Springvale and Bear Creek, Emmet County, under provisions of Act 233, Michigan Public Acts of 1955, as amended, for the purpose of acquiring, constructing, financing and operating a sewage collection system to serve the two Townships.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Authority conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The Authority accounts for operations that are financed and operating in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods or services to the public on a continuing basis be financed or recovered primarily through user charges. Specific accounting policies are described in the following paragraphs.

Reporting Entity

The accompanying basic financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in a reporting entity. In accordance with these guidelines, there are no component units to be included in the financial statements.

Basis of Accounting

The accrual basis of accounting is used to account for the operations of the Authority. The Authority follows all pronouncements of the Governmental Accounting Standards Board and those of the Financial Accounting Standards Board issued prior to November 30, 1989.

Operating Revenue

The Authority derives its revenue from charges to each Township for operation of the sewage collection system. Sewerage rates are set at a level to provide for all operating costs, including billings from the City of Petoskey and Harbor Springs Area Sewage Disposal Authority for transportation, treatment and disposal services, and to provide for an accumulation of funds for eventual replacement of the system and equipment.

Each Township is responsible for billing sewage customers located within its boundaries.

Capital Assets

Land, sewage collection system and other fixed assets are recorded at cost. The system is being depreciated under the straight-line method over its estimated useful life of 40 years while the equipment is being depreciated over its shorter estimated useful life.



NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

The investment in capacity of sewage treatment plant represent payments to the City of Petoskey to assure the availability of capacity at the Petoskey sewage treatment plant. This asset is amortized under the straight-line method. The 1977 investment is amortized over the period of the time of the Authority's agreement with the City. The 2001 investment is amortized over the estimated useful life of the system additions. The following are the amortization periods for the investment:

Amortization Period

1977 investment 2001 investment

37 years

25 years

Provisions for depreciation of \$183,941 and amortization of \$54,010 totaling \$237,951 in 2004 has been recorded in the statement of revenue, expenses and changes in net assets.

Cash and Cash Equivalents

The Authority considers certificates of deposit with maturity dates of three months or less at the date of purchase to be cash equivalents.

Other Assets

Bond expenses are being amortized under the straight-line method over the term of the bonds. The statement of revenues, expenses, and changes in net assets reflects \$4,949 for amortization of bond expense in 2004.

Restricted and Designated Assets

Assets restricted by provisions of bond resolutions for the payment of bond interest are recorded as restricted assets while those designated by the Authority's Board of Trustees for repair and replacement are recorded as designated assets. Any investment earnings of the restricted or designated funds are recorded as income and added to the fund. Disbursements are made only for the restricted or designated purposes.

Due to the City of Petoskey

Th Authority has an agreement with the City of Petoskey to receive, transport, treat and dispose of the Authority's wastewater at the City's treatment facility. The agreement stipulates that the Authority shall participate and pay 16.8 percent of any future additions to the facility. The City incurred \$7,500,000 of debt on June 1, 2001 to finance a facility expansion. The balance sheet at December 31, 2004, reflects a liability of \$1,239,700, and intangible asset net of accumulated amortization of \$1,209,600 for the Authority's share of the total cost. The Authority reimburses the City for its share of the bond principal and interest cost in accordance with the City's bond payment requirements. The interest portion of the reimbursement is included in pumping expense as an operating expense. A total of \$57,845 of interest expense was reimbursed for the year ended December 31, 2004, and is included in operating expenses. The reimbursement of bond principal, amounted to \$8,400 for the year ended December 31, 2004.



NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Contributions for Debt Retirement

Amounts due from participating local governmental units to pay outstanding bond principal are recorded as receivables on the balance sheet. Payments are due at designated dates and amounts over the lives of the bonds and are to be applied against the receivable when received.

In addition to the contract payments, the Townships are to provide for the interest expense and bond costs incurred on long-term debt. Amounts to defray interest and bond costs are recorded as other income. Any interest payments due from the Townships at year end are recorded as interest receivable.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

NOTE C - CREDIT RISK:

The Authority maintains its checking accounts, savings accounts and certificates of deposit with financial institutions that insure cash balances of up to \$100,000 through the Federal Deposit Insurance Corporation. At December 31, 2004 the Authority bank deposits were fully insured.

Michigan law authorizes the Authority to invest in obligations of the U.S. Treasury and U.S. agencies, certificates of deposit and savings accounts which are insured with the applicable federal agency, commercial paper within the three highest rate classifications by at least two rating services. U.S. or agency repurchase agreements, bankers acceptance of U.S. banks and mutual funds. The Authority's investments during 2004 were in accordance with these requirements.

NOTE D - RESTRICTED ASSETS:

Under terms of a contractual agreement between the Authority and the Townships of Springvale and Bear Creek, the Townships have agreed to reimburse the Authority for all debt service costs associated with the Authority's refunding bond issue and the liability to the City of Petoskey for its share of the City's bond issue. All payments received for debt service costs are required to be restricted for debt retirement.

The reimbursement for the refunding bond debt service costs is required to be paid by March 1 and September 1 in an amount equal to bond principal, interest and bond paying agent fees payable on that date. The reimbursement is apportioned 5 percent to Springvale township and 95 to Bear Creek Township.



NOTE D - RESTRICTED ASSETS (Continued):

The reimbursement for the City of Petoskey is apportioned 100 percent to Bear Creek Township. The annual debt service costs are billed monthly to the Authority by the City and are included by the Authority in its monthly billing to the Township.

Each Township has pledged its full faith and credit and an amount not exceeding 25 percent of the monies each receives annually as a return of state sales tax for payment of all debt service costs. In addition, each Township has agreed, if necessary, to include in its annual property tax levy an amount sufficient to make the stipulated payments.

The following is a summary of the assets that are restricted for debt retirement at December 31,2004:

	2004
Cash Certificate of deposit Receivable from local government units for:	\$ 77 37,971
Accrued bond interest and expenses Bond principal repayment Due to City of Petoskey	9,467 360,000 _1,239,700
Total	\$1,647,215

NOTE E - DESIGNATED ASSETS:

The following is a summary of assets that are designated for repair and replacement at December 31, 2004:

Cash Certificates of deposit	\$ 52,048 20,216
Total	\$ 72,264

NOTE F - CAPITAL ASSETS:

Capital asset activity for the year ended December 31, 2004, is as follows:

	Balance <u>January 1, 2004</u>	Additions	<u>Deletions</u>	Balance December 31, 2004
Land and land rights Sewage utility plant and	\$ 124,149	\$ -	\$ -	\$ 124,149
collection system Investment in capacity of	7,141,819	278,706	-	7,420,525
sewage treatment plant Spare motor	1,394,473 11,538	-	-	1,394,473 11,538
Transportation, shop and office equipment Construction in progress	67,292 194,918	_(194,918)	-	67,292
Total	8,934,189	83,788		9,017,977
Accumulated depreciation	4,213,111	237,951		<u>4,451,062</u>
Capital assets, net	<u>\$4,721,078</u>	<u>\$(154,163</u>)	\$	\$4,566,915



NOTE G - LONG-TERM DEBT:

The following is a summary of long-term debt transactions for the year ended December 31, 2004:

 Balance
 Balance

 January 1, 2004
 Retirements
 December 31, 2004

 \$430,000
 \$ 70,000
 \$360,000

Series 1989 Refunding Bonds

Long-term debt consists of the following at December 31, 2004:

\$1,310,000 Series 1989 Refunding Bonds due in annual installments of \$40,000 to \$95,000 plus interest of 7.500 to 7.625 percent. The bonds mature on March 1, 2009.

\$360,000

The annual requirements to amortize all debt outstanding as of December 31, 2004, including interest payments of \$72,069, are as follows:

Year ending <u>December 31</u> ,	
2005 2006	\$ 94,575
2007	84,513 79,637
2008 2009	74,722 98,622
Total	\$432,069

Payment of bond principal, interest and service costs are provided, under the terms of contractual agreements, with the local governmental units, as explained in Note D.

NOTE H - RISK MANAGEMENT:

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters.

The Authority carries commercial insurance to cover its risk of loss.

NOTE I - CONTINGENCY:

The Authority is a defendant in a lawsuit brought by a land investment group that claims financial losses as a result of the Authority's actions. The Authority believes the lawsuit is without merit and intends to vigorously defend itself.

NOTE J - IMPLEMENTATION OF GASB STATEMENT NO. 34:

The Authority has implemented the standards required by GASB Statement No. 34, for the year ended December 31, 2004. All required statements and disclosures have been included in the financial statements.

SPRINGVALE-BEAR CREEK SEWAGE DISPOSAL AUTHORITY SCHEDULES OF REPAIR AND REPLACEMENT ASSETS for the years ended December 31, 2004 and 2003

	2004		2003	
BALANCE, beginning of year	\$	123,421	\$	191,339
ADDITIONS: Billings collected Interest income	<u></u>	32,130 1,351		30,249 2,163
		156,902		223,751
REDUCTIONS: Construction costs Repairs		(68,636) (16,002)		(100,330)
BALANCE, end of year	\$	72,264	\$	123,421



SPRINGVALE-BEAR CREEK SEWAGE DISPOSAL AUTHORITY SCHEDULES OF CONSTRUCTION ASSETS for the years ended December 31, 2004 and 2003

				2003	
BALANCE, beginning of year	\$	13,598	\$	104,549	
ADDITION, interest income		65		1,662	
REDUCTION, construction costs		(13,663)	(92,613)		
BALANCE, end of year	\$	_	\$	13,598	



SPRINGVALE-BEAR CREEK SEWAGE DISPOSAL AUTHORITY SCHEDULE OF INDEBTEDNESS December 31, 2004

	Date of Issue	Amount of Issue	Interest Rate	Date of Maturity March 1	rity Principle		Maturity Principle		I	Annual Interest Payable	
Project No. 1 Refunding Bonds	March 1, 1989	\$1,310,000	7.500 7.500 7.500 7.625 7.625	2005 2006 2007 2008 2009	\$	70,000 65,000 65,000 65,000 95,000	\$	24,575 19,513 14,637 9,722 3,622			
					\$.	360,000	\$	72,069			

NOTE: The Bonds are subject to early redemption at the option of and in the order determined by the Authority on any interest payment date on or after March 1, 1997. There is no premium for early redemption.



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Adam B. Caron, C.P.A.

Troy A. Slater, C.P.A.

June 27, 2005

To the Board of Directors of the

Springvale-Bear Creek Sewage Disposal Authority:

We have completed our audit of the financial statements of the Springvale-Bear Creek Sewage Disposal Authority for the year ended December 31, 2004, and have issued our report thereon dated June 7, 2005. In planning and performing our audit, of the financial statements, we considered the Authority's internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control. During our audit, we became aware of the following matter that represents an opportunity for strengthening operating controls and efficiencies.

Cash Disbursements

The Authority currently requires only one signature on its checks for the regular and repair and replacement accounts. We recommend that you consider having dual signatures required on checks. This procedure would strengthen internal controls over disbursements and also would comply with the requirement in Article X of the Articles of Incorporation.

We would like to acknowledge the courtesy and assistance extended to us by the Authority's personnel during our audit. Should you have any questions with respect to the above comments, we would be pleased to discuss them with you at your convenience.

Very truly yours,

Smolinski & Christman, P.C.

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